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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

U.S. business productivity rebounded in the second quarter, boosted by gains in manufactures. The U.S. Department of Labor reported that U.S. business productivity rose at an annual rate of 1.9 percent in the second quarter of 1990 after falling by a 1.5 percent annual rate in the first quarter. Meanwhile, productivity in manufacturing rose by a 3.7 percent annual rate. Had it not been for the weakness of other sectors, services in particular, manufactures productivity gains might have lead to the upward revision of the second-quarter sluggish GNP growth rate of 1.2 percent.

In the mean time, nominal hourly compensation (wages and salaries, supplements, employer contributions to employees benefit plans and taxes) in the business sector rose at a 5.9 percent annual rate in the second-quarter after a rise of a 3.8 percent annual rate in the first quarter. The second-quarter increase was the largest since 1987. Real hourly compensation rose at a 2.2 percent annual rate after falling by 4.0 percent in the first quarter. Such a large increase in hourly compensation rekindled fears of inflation flareup. However, the moderate rise in unit labor costs (which reflect changes in hourly compensation and productivity) might have tempered such fears. Unit labor cost increased at a 4.0 percent annual rate in the second quarter after a rise of a 5.3 percent rate in the first quarter of 1990.

In the foreign sector, the trade deficit showed a major improvement in June 1990 and in the first 6 months of the year. The June deficit was $2.7 billion less than the May deficit due to the record increase in exports. In the first 6 months of 1990, the deficit reached $45.8 billion, the lowest half-year deficit since the second half of 1983. Exports increased by 8.4 percent, whereas imports increased by only 2.8 percent over the period.

Economic Growth

The annualized rate of real economic growth in the United States in the second quarter of 1990 was 1.2 percent. (The rate of growth was 1.7 percent in the first quarter.) The annualized rate of real economic growth in the first quarter of 1990 was 2.8 percent in the United Kingdom, 14.1 percent in West Germany, 2.8 percent in France, 10.4 percent in Japan, 2.2 percent in Canada and 3.8 percent in Italy.

Industrial Production

Tempered by the sharp fall in the production of autos and trucks, U.S. industrial production remained unchanged in July after increasing 0.4 percent in June 1990. Excluding motor vehicles, industrial output grew by 0.2 percent in July. The July 1990 index was 1.9 percent higher than it was in July 1989. Capacity utilization in manufacturing, mining, and utilities declined by 0.2 percentage points in July to 83.4 percent from June 1990.

Other major industrial countries reported the following annual growth rates of industrial production. In the year ending June 1990, West Germany reported an increase of 5.0 percent, Japan 2.7 percent, and the United Kingdom of 5.5 percent. In the year ending May 1990, France reported an increase of 1.5 percent, Canada reported a decrease of 2.2 percent, and Italy reported an increase of 2.0 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.4 percent in July over that of the previous month, and increased by 4.8 percent during the year ending July 1990.

During the 1-year period ending July 1990, consumer prices increased by 2.4 percent in West Germany and by 5.7 percent in Italy. During the year ending June 1990, consumer prices increased 9.8 percent in the United Kingdom, 3.0 percent in France, 2.2 percent in Japan, and 4.3 percent in Canada.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) dipped to 5.1 percent in July from 5.3 percent in June 1990. In July 1990, West Germany reported 7.3 percent and Canada reported 7.8 percent unemployment rates. In June 1990, France reported 9.4 percent, Italy reported 11.1 percent, Japan 2.2 percent and the United Kingdom 5.7 percent unemployment rates. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Table 1 shows macroeconomic projections by four major forecasters for the U.S. economy for July 1990 to June 1991, and it shows the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented on an annualized basis as percentage changes over the preceding quarter. The forecasts of the unemployment rate are averages for the quarter. The average forecasts point to sluggish growth in nominal GNP rates and negative

growth in real GNP rates in the remainder of 1990, followed by an upturn in the first two quarters of 1991. The main reasons for the modest growth in the remainder of 1990 are the expected continuation of the Federal Reserve's tight monetary policy and the impact of high interest rates on U.S. business spending in 1990, and the rise in oil prices if the Persian Gulf crisis continues. The average of the forecasts predicts a slight increase in the unemployment rate in the remainder of 1990 and in the first two quarters of 1991. Inflation (measured by the GNP deflator index) in the last quarter of 1990 and in the first quarter of 1991 is expected to rise, and then dip in the second quarter of 1991.

U.S. TRADE DEVELOPMENTS

The U.S. trade deficit narrowed markedly in June 1990 due to the accelerated rise in exports over imports of industrial and agricultural products, lower oil imports and lower oil prices. Seasonally adjusted U.S. merchandise trade in billions of dollars as reported by the U.S. Department of Commerce is shown in the tabulation at the top of the next page.

The seasonally adjusted U.S. merchandise trade deficit in current dollars declined sharply in June to $5.1 billion from $7.8 billion in May 1990. The June 1990 deficit was 40.7 percent lower than the $8 6 billion average monthly deficit registered during the previous 12-month period, and 35.4 percent lower than the $7.9 billion deficit registered in June 1989.

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, 1990-91

Quarter	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc.	Wharton E.F.A. Inc.	Mean of 4 forecasts
GNP:[1]					
1990:					
July-September	0.4	5.4	3.0	3.0	2.9
October-December	1.2	5.5	3.3	5.1	3.8
1991:					
January-March	4.3	5.9	5.0	5.7	5.2
April-June	6.6	6.5	5.8	5.7	6.1
GNP:[2]					
1990:					
July-September	-3.5	1.2	0.2	-1.5	-0.9
October-December	-3.3	1.0	-0.1	0.8	-0.4
1991:					
January-March	0.1	1.3	1.0	1.0	0.8
April-June	3.3	2.2	1.8	1.6	2.2
GNP deflator index:					
1990:					
July-September	4.0	4.1	2.8	4.6	3.9
October-December	4.7	4.4	3.4	4.3	4.2
1991:					
January-March	4.2	4.6	4.0	4.6	4.3
April-June	3.1	4.2	3.9	4.0	3.8
Unemployment, average rate:					
1990:					
July-September	5.9	5.4	5.6	5.2	5.5
October-December	6.4	5.6	5.9	5.2	5.8
1991:					
January-March	6.8	5.6	6.1	5.2	5.9
April-June	6.9	5.5	6.2	5.2	5.9

[1] Current dollars.
[2] Constant (1982) dollars.

Note.—Percentage changes in the forecast represent compounded annual rates of change from the preceding period. Quarterly data are seasonally adjusted.

Source: Compiled from data published by The Conference Board. Used with permission.

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	Exports		Imports		Trade balance	
	May 90	June 90	May 90	June 90	May 90	June 90
Current dollars	32.8	34.3	40.5	39.4	-7.8	-5.1
1987 dollars	30.4	31.9	38.3	37.4	-7.9	-5.4
Three-month-moving average	32.7	33.0	40.5	39.8	-7.8	-6.7
Advanced technology products (not seasonally adjusted)	7.5	8.6	4.5	5.0	3.0	3.6

In constant dollars, the trade deficit narrowed by $2.5 billion. On a 3-month-moving average (in current dollars) the trade deficit narrowed by $1.1 billion in June from that of May 1990. The trade surplus in advanced technology products rose to $3.6 billion in June from $3.0 billion in May 1990. As defined by the U.S. Department of Commerce, advanced technology products include about 500 products from recognized high-technology fields—for example, biotechnology—out of a universe of some 22,000 commodity classification codes.

The decline in the U.S. merchandise trade deficit in June 1990 was the result of a record increase in exports of manufactures. Lower oil imports and lower oil prices contributed to the deficit reduction. Seasonally adjusted exports (in current dollars) increased in June by 4.6 percent to $34.3 billion from $32.8 billion in May 1990. Meanwhile, imports decreased by 2.7 percent, to $39.4 billion in June from $40.5 billion in May 1990.

Export changes in June 1990 and on a cumulative year-to-date basis for specified major exporting sectors are shown in table 2. The June 1990 data show considerable export increases from a month earlier in airplanes, automatic data processing equipment and office machinery, and telecommunications, and moderate export increases in electrical machinery and airplane parts. No change or export decreases were registered in the remaining manufacturing sectors.

Sectors that recorded the highest increases in exports for the January-June 1990 period compared with the same period of 1989 included airplanes, the "other manufactured goods" category, textile yarns, fabrics and articles, electrical machinery, airplane parts, telecommunications, vehicle parts, specialized industrial machinery, general industrial machinery, scientific instruments, and automatic data processing equipment and office machinery. Iron and steel mill products exports were down 19.6 percent. Organic and inorganic chemicals exports were down 11.9 percent.

The contributions of all sectors to total exports are shown also in the table. The highest contributions to total exports were made by electrical machinery, automatic data processing and office machinery, the "other manufactured goods category," airplanes, general industrial machinery, power generating machinery, and specialized industrial machinery.

In June 1990, imports declined in some sectors and increased in other sectors. The largest import decreases occurred in imports of machinery, and oil. The largest import increases occurred in automatic data processing equipment and office machinery (up 13.1 percent), new passenger cars (up 2.5 percent), telecommunications apparatus, equipment and parts (up 16.3 percent). In addition, the U.S. agricultural trade surplus rose to $1.4 billion in June from $1.3 billion in May 1990. Meanwhile the U.S. oil import bill declined to $2.7 billion in June from $3.2 billion in May 1990.

U.S. bilateral trade balances on a monthly and cumulative year-to-date basis with major trading partners are shown in table 3. The United States experienced improvements in bilateral merchandise trade balances in June 1990 with the EC, OPEC, and the NICs. Trade balances worsened with Japan, Canada, and the Federal Republic of Germany. The U.S. trade surplus with the EC jumped to $1.1 billion and the surplus with the U.S.S.R. increased to $360 million. The deficit with OPEC declined to $1.18 billion, and the deficit with the NICs declined to $1.34 billion. In contrast, the deficit with Japan rose to $3.1 billion and the deficit with the Federal Republic of Germany increased to $820 million. On a year-to-date basis, significant improvements occurred in bilateral trade balances with Japan, Canada, the EC, and the NICs as compared to those of the same period in 1989.

INTERNATIONAL TRADE DEVELOPMENTS

Oil Price Increase Helps Soviets Cope With Hard-Currency Shortage

The deterioration in the Soviet hard-currency position that began in earnest during 1989 accelerated during the first half of 1990. The combined deficit in trade with the West and the developing countries, which was a record $1.5 billion during 1989, jumped to an annualized rate of $11.4 billion during the first half of 1990. According to estimates by *PlanEcon*, the Soviets' gross hard-currency debt increased from $58 billion at yearend 1989 to $60 billion at the end of the first half of 1990. The first reports about Soviet difficulties in paying Western suppliers were heard in late 1989. By June 1990 Soviet payment

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Table 2
U.S. exports, not seasonally adjusted, of specified sectors, by specified periods, January-June 1990, June 1990

Sector	January-June 1990 Exports	June 1990	January-June 1990 over January-June 1989 Change	June 1990 over May 1990	January-June 1990 Share of total	June 1990
	Billion dollars		percent			
Manufactures						
ADP equipment & office machinery	12.27	2.17	3.5	4.2	6.2	6.3
Airplanes	10.24	2.06	54.4	27.2	5.2	6.0
Airplane parts	4.74	0.81	11.5	5.2	2.4	2.3
Electrical machinery	14.10	2.52	12.4	2.9	7.1	7.3
General industrial machinery	8.00	1.33	5.3	-8.3	4.0	3.8
Iron and steel mill products	1.52	0.26	-19.6	-3.7	0.8	0.7
Organic & inorganic chemicals	7.05	1.17	-11.9	-1.7	3.6	3.4
Power generating machinery	7.86	1.31	0.0	-2.2	4.0	3.8
Scientific instruments	5.98	1.01	4.9	0	3.0	2.9
Specialized industrial machinery	7.87	1.34	7.8	3.6	4.0	3.9
Telecommunications	4.33	0.78	11.0	6.8	2.2	2.3
Textile yarns, fabrics and articles	2.50	0.43	16.8	0	1.3	1.2
Vehicle parts	7.58	1.42	10.3	-4.7	3.8	4.1
Other manufactured goods[1]	11.30	1.87	27.0	-4.1	5.7	5.4
Other manufactured exports not included above	44.76	7.76	8.6	-0.3	22.6	22.5
Total manufactures	150.10	26.24	9.8	1.7	75.7	76.0
Agriculture	20.82	3.18	-3.2	-0.6	10.5	9.2
Other exports	27.26	5.11	9.3	9.2	13.8	14.8
Total exports	198.18	34.53	8.2	2.5	100.0	100.0

[1] This is an official U.S. Department of Commerce commodity grouping.

Note.—Detail lines may not add to totals because of rounding.

Source U.S. Department of Commerce News (FT 900), June 1990.

Table 3
U.S. merchandise trade deficits (-), surpluses (+) in billions of dollars, not seasonally adjusted, with specified areas, January-June 1989, January-June 1990

Area	June 90	May 90	June 89	January-June 90	January-June 89
Japan	-3.10	-2.97	-3.80	-19.60	-24.42
Canada	-0.69	-0.56	-0.66	- 2.10	- 4.17
Fed. Republic of Germany	-0.32	-0.54	-0.59	- 4.33	- 3.81
EC	+1.10	+0.72	+0.01	+ 5.35	+ 1.73
Western Europe	+0.81	+0.81	-0.27	+ 4.34	+ 0.01
NICs	-1.34	-1.49	-1.66	- 8.34	-10.42
U.S.S.R	+0.36	+0.27	+0.32	+ 1.96	+ 2.42
China	-0.79	-0.78	-0.66	- 4.06	- 2.21
OPEC	-1.18	-1.71	-1.59	-10.74	- 7.72
Total trade balance	-5.92	-6.92	-8.72	-41.11	-49.59

Note.—NICs include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Source: *U.S. Department of Commerce News* (FT900), June 1990.

arrears amounted to an estimated $2 billion. Reports for the same month indicated that Western commercial banks cut credits to their Soviet clients and other creditors began selling their Soviet bonds at discounts up to 10 percent. Interest rates on new credits to the Soviets went up by 2 percentage points.

At mid-year, there were indications that Soviet authorities embarked on a series of measures to stave off further damage to the country's reputation as a good credit risk. The Soviet Central Bank offered gold to Western suppliers in lieu of hard currency and the Ministry of Oil and Gas Industry redoubled efforts to halt a decline in oil production—the country's main source of hard-currency earnings. The export of other raw materials was increased. In July, Western observers were still debating whether or not Soviet financial authorities had control over the elimination of payment arrears.

The situation abruptly changed in August when the increase in oil prices following the Iraq-Kuwait conflict gave Soviet export revenues an unexpected boost. Averaging $19 a barrel on July 30 (before the invasion of Kuwait by Iraq), the price of oil jumped to $24 the day after the invasion and reached to $30 just one week later. Although the price has fluctuated since then, experts say it is likely to remain around $30 in the foreseeable future, giving the Soviets—along with other oil exporters—windfall profits. According to *Business Eastern Europe* (Aug. 13, 1990, p. 266) each $1 dollar increase in the price of a barrel of oil boosts Soviet hard-currency earnings by $600 million over a 1-year period. Other things being equal, if the average price of oil reaches the minimum projected $20-21 per barrel for the full year of 1990, the Soviets would gain $2 billion in previously unanticipated new oil revenues by yearend 1990. This would be enough to eradicate their payment arrears.

Some analysts blame the decentralization of the foreign trade apparatus for the deterioration in the Soviet hard-currency position and associated payment difficulties. Decentralization loosened the state's direct control over foreign trade operations and gave roughly 14,000 Soviet enterprises the right to export and import. In their inexperience, the argument goes, these new traders made unwise decisions about what to buy and sell abroad, and at what price, developing more deficits than surpluses at the enterprise level. Other analysts, still blaming decentralization, contend that the reorganization of the foreign trade apparatus caused a temporary lapse in the state's ability to account precisely for hard-currency receipts and expenditures. However, the majority of analysts point to the faster growth of import demand than of export capacity as the fundamental source of Soviet hard-currency difficulties.

The country's growing appetite for Western capital and consumer goods provides the main explanation for its increasing hard-currency import demand. But attempts by Soviet firms to move their assets out of the depreciating ruble has also been a factor. Soviet and Western specialists estimate that the difference between the outstanding ruble balances and the value of goods and services available for purchase in the Soviet Union—commonly referred to as the "monetary overhang"—currently amounts to at least 250 billion rubles, and it is growing. Expectation is widespread that there will be further erosion in the domestic purchasing power of the ruble, either in the form of worsening shortages or in the form of increased inflation or a combination of the two. But the authorities have been slow to devalue the ruble against hard-currencies, paradoxically safeguarding the ruble's purchasing power of foreign goods. Enterprises with foreign trade rights quickly spend their hard-currency earnings on imports and, justifying the need for more imports, demand further allocations of hard-currency from their superior state agencies. In other words, enterprises find that hoarding hard-currency imports is the next best thing to being able to accumulate hard currency balances amidst the threat of further shortages and growing inflation.

Whereas demand for imports is rapidly expanding, the Soviet capacity to export remains constrained. Although the U.S.S.R. is one of the world's richest countries in oil and natural gas reserves, a quantum increase in the export of these commodities will require the development of Siberian and Kazakhstani fields. This will require heavy new doses of Western capital investment. Several such investment projects involving U.S. and European companies have been announced, but it will be years before hydrocarbons from these fields significantly benefit the country's balance of payments.

The expansion of machinery and equipment exports also faces difficulties. Soviet analysts point out that the relatively low participation of Soviet industries in the international division of labor represents an important limitation in the development of internationally competitive Soviet products. For example, in the aviation industry, which is a vital source of Soviet machinery and equipment exports, Western firms cooperate in design, production, and marketing (e.g., the Airbus). The Soviets still try to do everything by themselves. Moreover, economic reform has not been radical enough so far to generate domestic competition, another important precondition of becoming internationally competitive. Nor has reform succeeded in turning bureaucratic traders into international salesmen. Western machinery and equipment are often sold while they are still on the drawing board, but Soviet products often become outdated even before they are shipped to an international fair.

Most analysts in both the Soviet Union and the West agree that the key to reestablishing the balance between Soviet import demand and export capacity lies in the quickest possible implementa-

tion of financial stabilization measures and market economic reforms. In the absence of stabilization and marketization, the country will again face the threat of insolvency that the Persian Gulf crisis fortuitously postponed.

Airbus Negotiations Continue Into the Nineties

U.S.-EC negotiations to settle a dispute over government subsidy of Airbus Industrie, a European aircraft-manufacturing consortium, recently gained momentum after both sides presented new proposals. The United States had threatened to take action under the dispute settlement procedures of the GATT, but extended a July 31 deadline to September 30, when progress on the Airbus issue appeared forthcoming. Officials were initially optimistic that these developments would lead to a rapid solution to the 6-year-old dispute. However, both sides are now less optimistic as the new deadline approches.

Airbus Industrie is a public/private corporation co-owned by Aerospatiale of France, Deutsche Airbus of West Germany, British Aerospace, and Construcciones Aeronauticas (CASA) of Spain. (Spain owns less than 5 percent of the corporation.) Created in 1970, Airbus is the only European manufacturer of big commercial jetliners and it competes with Boeing and McDonnell Douglas. Whereas Boeing is the world leader with about a 60 percent share of the world commercial aircraft market, Airbus products account for 15 to 20 percent, which is comparable to the McDonnell Douglas share.

The U.S. administration contends that government subsidies to Airbus producers and other alleged unfair trade activities are inconsistent with the Agreement on Trade in Civil Aircraft, one of the GATT Tokyo Round codes. Both U.S. Government and U.S. industry officials argue that government assistance to Airbus is unfair, since U.S. producers do not enjoy such assistance and must bear full market risks for new aircraft development and production. To compete with Airbus, U.S. firms have reduced profit margins, thereby limiting their ability to invest in new technologies for future competition. The EC counters that the U.S. aircraft industry benefits from U.S. military contracts, which act as indirect subsidies.

A U.S. proposal presented to EC officials in early April outlines several areas where the two sides must agree before an overall agreement can be reached. Setting parameters for development and production supports have been an ongoing concern of U.S. negotiators. Another issue that the U.S. proposal addresses is that of government equity infusions. The U.S. proposal would allow government infusions if they were "according to commercially reasonable investment practices." Finally, the proposal aims to set up procedures governing the exchange of information.

One notable omission in the U.S. proposal is the government-financed exchange-rate guarantee scheme that the West German Government promised to Daimler-Benz, the major partner of Deutsche Airbus. In late 1988, the West German Government approved a merger between Daimler-Benz and Messerschmitt-Bolkow-Blohm (MBB), the parent of Deutsche Airbus. The merger agreement included a support package deemed necessary to induce Daimler-Benz to assume responsibility for MBB's Airbus participation. This package enables the West German Government to cover some of the financial risks associated with current and future Airbus projects. Of greatest concern to the United States in the support package is a government-financed exchange-rate guarantee scheme for Airbus sales until the year 2000. This mechanism aims to reduce financial risks due to exchange-rate fluctuations between the West German mark and the U.S. dollar, the currency of the civil aviation market. In the past the United States has opposed such exchange-rate schemes on the grounds that they would counter U.S. exchange-rate policies aimed at reducing its trade imbalance.

On July 31, the EC proposed eliminating all production subsidies on aircraft with more than 100 seats. In addition, the proposal offered to limit development subsidies for these larger aircraft to between 40 and 50 percent of development costs. These development subsidies, in the form of royalty-based loans, are repayable on terms tied to future Airbus sales. Any supports above this amount would be granted on terms tied to commercial interest rates. Although this offer was viewed as a major concession by EC negotiators, it still fell far short of U.S. goals. Currently, Airbus governments offer assistance to manufacturers that accounts on average for about 75 percent of development costs.

The United States had threatened to file a complaint with the GATT over the German Government's exchange-rate subsidy plan should the Airbus issue not be resolved by July 31. However, U.S. officials postponed the deadline until September 30, when broader progress on Airbus negotiations emerged. Some sources indicate that an agreement could be reached by the end of September. Others, however, are less otimistic because the United States remains dissatisfied with the proposed subsidy cuts and strongly opposes the German Government's exchange rate guarantee.

STATISTICAL TABLES

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Industrial production, by selected countries and by specified periods, January 1987-June 1990

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1987	1988	1989	1989 II	1989 III	1989 IV	1990 I	1990 II	Feb.	Mar.	Apr.	May	Jun.
United States	4.9	5.4	2.6	2.9	-1.3	0.2	0.6	4.0	11.8	8.1	-1.1	6.8	5.6
Japan	3.4	9.5	6.0	0.0	0.8	2.9	3.5	7.3	4.1	21.7	-11.1	35.2	-4.7
Canada	2.7	4.4	2.3	1.3	-0.2	-1.9	1.7	1.3	8.6	-1.8	0	3.7	0
West Germany	.2	3.2	5.3	4.8	1.4	8.4	8.9	-0.2	-3.1	22.8	-25.9	25.8	35.8
United Kingdom	3.4	3.6	.8	-0.7	6.1	0.2	-0.7	10.1	-7.4	27.0	11.3	-6.2	28.9
France	2.1	4.4	3.8	8.7	1.2	-1.2	-2.6	6.3	-19.1	6.7	21.4	2.2	5.5
Italy	2.6	6.9	3.7	3.7	9.4	0.6	-6.2	1.6	17.7	8.4	-6.8	2.0	-1.0

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, September 7, 1990.

Consumer prices, by selected countries and by specified periods, January 1987-July 1990

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1987	1988	1989	1989 II	1989 III	1989 IV	1990 I	1990 II	Mar.	Apr.	May	Jun.	Jul.
United States	3.7	4.1	4.8	6.0	2.8	4.0	8.1	3.7	5.8	1.9	1.9	6.7	4.7
Japan	.1	.7	2.3	9.8	0.6	2.6	0.9	5.8	4.7	9.5	9.4	-6.5	5.8
Canada	4.4	4.0	5.0	6.1	5.4	3.9	6.2	2.4	3.6	1.3	1.7	5.3	3.1
West Germany	.2	1.3	2.8	3.4	1.9	3.0	2.5	1.7	2.5	0.8	1.5	2.0	2.4
United Kingdom	4.1	4.9	7.8	8.3	6.5	7.6	8.6	15.7	14.4	26.1	12.6	7.4	7.8
France	3.3	2.7	3.5	3.9	2.9	3.9	3.1	2.5	3.5	1.6	2.8	2.3	2.7
Italy	4.6	5.0	6.6	7.5	5.6	5.9	5.8	5.4	5.7	4.9	5.2	5.3	7.2

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, September 7, 1990.

Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1987-July 1990

(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1987	1988	1989	1989 II	1989 III	1989 IV	1990 I	1990 II	Mar.	Apr.	May	Jun.	Jul.
United States	6.1	5.4	5.2	5.2	5.2	5.3	5.2	5.2	5.1	5.3	5.3	5.1	5.4
Japan	2.9	2.5	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.1	2.1	2.2	2.1
Canada	8.8	7.7	7.5	7.6	7.3	7.5	7.5	7.4	7.1	7.2	7.6	7.5	7.8
West Germany	6.2	6.2	5.6	5.7	5.6	5.5	5.3	5.2	5.2	5.2	5.2	5.2	5.2
United Kingdom	10.2	8.2	6.4	6.5	6.2	5.8	6.1	6.1	6.1	6.1	6.1	6.1	6.2
France	10.5	10.1	9.9	9.9	9.9	9.8	9.4	9.3	9.4	9.3	9.3	9.4	9.4
Italy	7.7	7.8	7.7	7.8	7.7	7.5	7.2	6.6	([2])	([2])	([2])	([2])	([2])

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S. rate.

[2] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Deapartment of Labor, September 1990.

Money-market interest rates,[1] by selected countries and by specified periods, January 1987–June 1990

(Percentage, annual rates)

Country	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1990 I	1990 II	Apr.	May	Jun.	Jul.	Aug.
United States	7.0	7.8	9.3	9.7	9.7	8.9	8.6	8.4	8.4	8.5	8.3	8.2	8.1	8.1
Japan	3.9	4.4	5.3	4.9	5.1	5.4	5.6	6.2	6.7	6.6	6.8	(2)	(2)	(2)
Canada	8.4	9.6	12.2	11.7	12.3	12.3	12.4	12.8	(2)	13.5	(2)	(2)	(2)	(2)
West Germany	4.0	4.3	7.0	6.2	6.8	7.2	8.3	8.4	8.4	8.3	8.4	(2)	(2)	(2)
United Kingdom ...	9.6	8.9	13.3	13.0	13.5	14.0	15.2	15.2	15.2	15.2	15.2	(2)	(2)	(2)
France	8.1	7.9	9.2	9.0	8.8	9.2	10.3	11.0	9.9	10.1	9.7	(2)	(2)	(2)
Italy	11.2	11.0	12.7	12.4	12.5	12.9	13.3	13.3	12.8	12.6	12.9	(2)	(2)	(2)

[1] 90-day certificate of deposit.

[2] Not available.

Source: *Federal Reserve Statistical Release*, *April 2, 1990 Economic and Energy Indicators*, Central Intelligence Agency, September 7, 1990.

Effective exchange rates of the U.S. dollar, unadjusted for inflation differential, by specified periods, January 1987–August 1990

(Percentage change from previous period)

Item	1987	1988	1989	1989 III	1989 IV	1990 I	1990 II	Mar.	Apr.	May	Jun.	Jul.	Aug.
Unadjusted:													
Index[1]	94.1	88.0	91.3	92.8	91.0	89.6	89.7	90.6	90.4	89.4	89.4	87.0	84.8
Percentage change	-11.2	-6.5	6.4	.3	-1.9	-.4	.1	1.6	-.2	-1.1	0	-2.7	-2.6
Adjusted:													
Index[1]	91.8	87.4	91.8	93.0	91.8	95.1	95.1	91.5	91.3	94.7	95.0	92.8	91.4
Percentage change	-10.6	-4.8	6.8	.1	-1.1	3.5	0	1.7	-.2	3.5	.3	-2.3	-1.5

[1] 1980-82 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 15 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, September 1990.

Trade balances, by selected countries and by specified periods, January 1987–July 1990

(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

				1989		1990					
Country	*1987*	*1988*	*1989*	*III*	*IV*	*I*	*II*	*Apr*	*May*	*Jun*	*Jul.*
United States[1]	-152.1	-118.5	-108.7	-107.2	-112.9	-101.2	-87.6	-87.6	-93.2	-64.0	-112.0
Japan	96.3	94.9	77.3	76.8	57.2	64.8	58.4	44.4	46.8	82.8	(3)
Canada	8.6	8.0	6.4	3.6	.8	6.0	10.8	8.4	6.0	18.0	(3)
West Germany[2]	65.7	72.7	72.1	74.4	65.2	90.0	62.0	67.2	70.8	48.0	(3)
United Kingdom	-16.9	-36.9	-37.9	-40.8	-27.6	-38.4	-33.6	-39.6	-28.8	-32.4	(3)
France	-5.2	-5.4	-6.6	-8.0	-8.4	-1.6	-7.6	-9.6	-12.0	-2.4	(3)
Italy	-8.3	-10.7	-12.8	-12.0	-9.6	-14.4	-21.6	-9.6	-18.0	-4.8	(3)

[1] 1986, exports, f.a.s. value, adjusted; imports, c.i.f. value, adjusted. Beginning with 1987, figures were adjusted to reflect change in U.S.Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

[2] Imports, c.i.f value, adjusted.

[3] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, September 7, 1990 and Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, September 18, 1990.

U.S. trade balance,[1] by major commodity categories,and by specified periods, January 1987–July 1990

(Percentage, annual rates)

				1989		1990					
Country	*1987*	*1988*	*1989*	*III*	*IV*	*I*	*Mar.*	*Apr.*	*May*	*Jun.*	*Jul.*
Commodity categories:											
Agriculture	7.0	13.9	17.9	3.5	5.1	4.9	1.8	1.4	1.3	1.4	1.0
Petroleum and selected product—(unadjusted)	-39.5	[illegible]	-44.7	-11.4	-11.4	-14.1	-4.3	-3.4	-4.0	-3.4	-3.7
Manufactured goods	-146.1	-146.1	-103.2	-27.1	-27.7	-19.4	-6.3	-6.1	-6.5	-6.9	-10.3
Selected countries:											
Western Europe	-27.9	-12.5	-1.3	-.3	-.6	1.4	.7	1.3	.8	.8	-1.3
Canada[2]	-11.5	-9.7	-9.6	-2.2	-2.8	-.9	-.1	.04	-.6	-.7	-1.0
Japan	-58.0	-51.7	-49.0	-12.0	-12.2	-9.6	-3.6	-3.9	-2.9	-3.1	-3.0
OPEC (unadjusted)	-13.7	-8.9	-17.3	-5.0	-4.3	-1.8	-6.5	-1.4	-1.7	-1.2	-1.6
Unit value of U.S.imports of petroleum and selected products (unadjusted)[3]	$15.02	$18.12	$16.80	$16.38	$17.46	$19.26	$18.18	$16.57	$15.57	$14.64	$14.50

[1] Exports, f.a.s. value, unadjusted. 1986–88 imports, c.i.f. value, unadjusted; 1989 imports, customs value, unadjusted.

[2] Beginning with February 1987, figures include previously undocumented exports to Canada.

[3] Beginning with 1988, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f. value.

Source: Advance Report on U.S. Merchandise Trade, U.S. Department of Commerce, September 18, 1990.

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